

Marginal Thinking

“Is it worth it?”

DO NOW!

- What are the three types of economic systems?
 - Describe how resources are distributed in each system?

Thinking at the Margin

- Is it worth it?
- A thing worth doing may not be worth doing well.
- Know when it's time to move on!
- Look forward, not back
- When is enough enough?

Marginal Thinking

- What is the marginal benefit of an additional 15 minutes of sleep? What is the marginal opportunity cost?

Unfortunate consequences of Scarcity

- I will never be the best teacher I could be
- You will never be the best student you could be
- We will never be the best musician we could be.
- We will never be the best athletes we could be.

Marginal cost analysis

- Marginal is the change the results from a little more or a little less of an activity
- Compares the additional benefit to the additional opportunity cost
- Is the marginal benefit worth what I will be giving up?

Using Marginal Cost Analysis

1. Investigate two alternatives
2. What's the difference in benefits between the two?
3. What's the difference in opportunity costs between the two
4. Is the marginal benefit of the choice greater than the marginal opportunity cost?

Marginal Principle

- MB is greater than MOC, go for it!!
- If the MB is less than the MOC, go back; you have gone too far!

Marginal Analysis



- You got to know when to hold 'em
 - Know when to fold 'em
 - Know when to walk away
 - And know when to run

The Problem

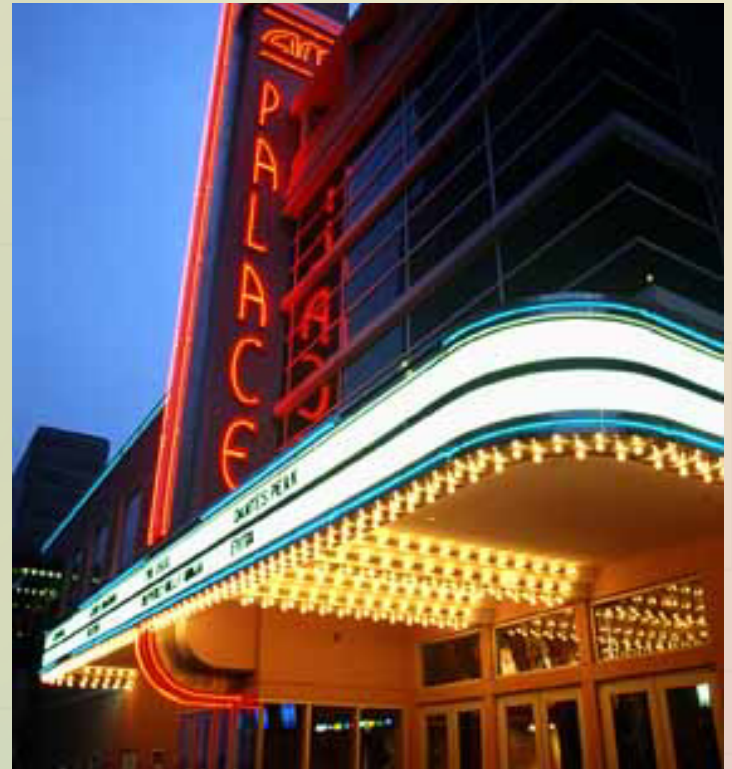
- The principle is simple
- The estimates of marginal benefit and marginal cost are not
 - Estimates are of future benefits and costs
 - Most of us are not very good at predicting the future

How much education is right for you?

- High School
- High School + vocational training
- Associates Degree
- Bachelors Degree
- Masters Degree
- Doctorate
- The Rule: Continue your education as long as the MB of additional education is greater than teh MOC of additional education.

Question 1: Terrible Movie

- ✳ What is the marginal benefit of staying there for the next two hours?
- ✳ What is the marginal benefit of the best alternative?
- ✳ What should you do



Question 2: How good are you

- You have a test tomorrow and your boss says she needs you at work.
 - ✱ What is the marginal benefit of studying
 - ✱ What is the marginal benefit of going to work?
 - ✱ What should you do?

Question 3: Good parent?

- Your daughter has a playoff basketball game and your boss has called an “emergency” meeting.
- ✱ What is the marginal benefit of going to the game?
- ✱ What is the marginal benefit of going to work?
- ✱ What should you do?